

XO insider Forstmann Little, through its representative on XO's Board of Directors, Sandra J. Horbach, entered into a transaction with XO and TelMex that will transfer control of XO to Forstmann Little at the expense of XO's common stockholders.

The preliminary agreement flies in the face of prior company statements which, up until now, uniformly assured investors that XO had sufficient cash and "committed" financing to operate under its business plan until the middle of 2002 or even 2003. As recent as The November 8, 2001, from XO press release stated, "XO had more than \$1 billion in cash at the end of the third quarter and estimates that it is fully funded into the second half of 2002", misleading investors into a false sense of security.

Following the close of the investment and the balance sheet restructuring, Forstmann Little and TelMex would each own 39 percent of the company's outstanding equity. The remaining equity would be owned by management and noteholders. Consequently, current holders of the company's equity securities were expected to lose substantially all of the value of their investment as a result of the restructuring.

The Complaint asserts claims for breach of fiduciary duty by XO's Board of Directors, aiding and abetting that breach of fiduciary duty by Forstmann Little, and for violations of the federal securities law by certain XO directors.